

Islamic Economics from Classical to Modern History

Lukmanul Hakim

Universitas Islam Negeri Imam Bonjol Padang, Indonesia

Corresponding e-mail : lukmanulhakim@uinib.ac.id

ABSTRACT

Purpose — *This article compiles the history of the development of Islamic economics from classical times to the modern era today.*

Method — *The research methodology used in this research is literature study.*

Result — *This article compiles the history of the development of Islamic economics from classical times to the modern era today. The classical period began with the prophethood of the Prophet who overhauled all economic arrangements in accordance with Islamic law. Then, the economic policies that have been arranged in such a way by the Prophet inherited and continued by the next generation, khulafaurasyidin and the next ruling dynasties to enter the modern era today. The development of Islamic economics experienced a long history, experienced several setbacks and then rose and revived until today.*

Keywords: *Islamic Economic, Classical Time, Modern History*

INTRODUCTION

Islamic economics is a discipline that has rich and extensive historical roots. As an integral part of Islamic civilization, Islamic economics has developed and transformed over time, reflecting the deep values of Islam and influencing the history of Muslim societies. By exploring its historical traces, we can understand how the concepts of Islamic economics grew, adapted, and contributed to the development of Islamic civilization. This article will take readers on a journey through time, tracing the role and concepts of Islamic economics from the early days of Islam to the modern era. We will explore the golden age of Islamic civilization, which was full of progress in trade, science, and social justice, as well as explore the challenges and adaptations faced during the colonial period (Marasabessy, 2022).

Many records prove that Islamic economics had a long history long before conventional (classical) economics was recorded. Ali Zaid bin Ali (80-120 H/699-738 AD) had initiated the sale of commodities on credit at a price higher than the cash price. Abu Hanifah initiated the validity and legal validity of the sale and purchase contract with what is known as bay' as-salam and almurabahah. Abdurrahman al- Awza'i initiated the permissibility of lending capital in cash or kind. Abu Yusuf Ya'qub Ibrahim (112-182 AH/731-798 CE) is famous for his attention to public finance and his attention to the role of the state, public works, and agricultural development. He was the first to lay the foundations of taxation codified in the book al-Kharaj and later replicated by economists as the canon of taxation. Abu 'Ubayd alQasim bin Sallam (157-224 AH/774-738 CE) author of al-amwal broadly describes economic issues related to property and capital (Mudhiyah, 2015).

During the Middle Ages, the Islamic economy reached its peak. During this time, trade became one of the main forces in developing the Islamic economy. Extensive trade networks connected East and West, facilitating the exchange of goods and knowledge. In addition, the principles of ethical trade inspired by Islamic teachings became the foundation of business and trade practices. Contributions to Science and Economics Islamic civilization also made great contributions to the development of science and economics. Famous Muslim scholars such as Ibn Khaldun and Ibn Sina contributed important economic thoughts and concepts. In this modern era, Islamic economics is increasingly relevant in facing global challenges. Its principles that focus on justice, equality, and sustainability provide an alternative to conventional economic systems that are often considered unfair and prone to crises. Islamic banks and Islamic financial institutions are growing, offering products and services that comply with Islamic economic principles (Istiqomah & Zulaikhah, 2019).

Through an understanding of the history of Islamic economics, we will gain insight into how Islamic values of ethics, justice, and social empowerment have shaped and guided the economic system in Muslim civilizations. This article will also explore the relevance of Islamic economics in the modern era and the

extent to which these traditional concepts remain applicable and relevant to Muslim societies today. With a deeper understanding of Islamic economics across history, we can inspire thoughts and actions that are in line with the spirit of justice, empowerment, and social welfare in today's Islamic economic world.

RESULT AND DISCUSSION

The Development of Islamic Economics During the Prophet's Time

Before the Prophet Muhammad was appointed as Prophet, Makkah had become a place of trade traffic on the northern route of Syria and the southern route of Yemen. Makkah became the center of the meeting of various tribes which therefore brought benefits and economic development to the city of Makkah itself. In addition to being a trade stop, Mecca also became a center of pilgrimage. Prophet Muhammad SAW after prophethood began to overhaul the economy of Muslims, eliminating usury and hedonistic practices that occurred in the city of Makkah (F & Kurniawan, 2022).

Afterward, the Prophet improved the country's economic and financial system in accordance with Islamic law. The principles of economic policy described in the Quran are as follows: (F & Kurniawan, 2022)

1. Allah Swt is the supreme ruler and absolute owner of the universe. Humans are only the Khalifah of Allah Swt on earth, not the real owners.
2. All that is owned and obtained by humans is with the permission of Allah SWT. Therefore, less fortunate humans have the right to some of the wealth owned by other humans who are more fortunate.
3. Wealth must rotate and should not be hoarded. Economic exploitation in all its forms, applies the inheritance system to redistribute wealth..

Basically, at the time of the Apostle, the Islamic economic order was still very simple, the basis was only from the revelation of the Qur'an and the Prophet Muhammad's ijtihad contained in the hadith. Islamic economics began to emerge when the Prophet migrated to Medina, when he first arrived the state of Medina was still chaotic. The people of Medina did not yet have a sovereign leader or king. There were only tribal chiefs who controlled their respective areas. The famous tribes at that time were the Aus and Khazraj. When it was still in the form of these tribes, the city of Medina had no law or government. Groups were still fighting each other. The richest and most powerful group was the Jews, but their economy was still weak and relied on agriculture (Maghfiroh & Caniago, 2020).

Therefore, the history of Islamic economics during the time of the Prophet began with the state not having significant wealth or sources of revenue. However, the battle of Badr in the 2nd century AH brought about a significant change with the revenue from the spoils of war called "khums". The concept of khums is derived from Allah's word in surah al-Anfal verse 41 which states that one-fifth of the booty belongs to Allah, the Messenger of Allah, orphans, the poor, and ibnu sabil. This aims to promote justice and welfare in society. Rasulullah SAW was also known for his wise fiscal policy as a leader in Medina. He laid solid economic foundations by managing state revenues efficiently and responsibly. These actions helped to improve the overall welfare of society. With his justice-oriented and welfare-driven approach, the Prophet succeeded in building a strong economic foundation for Islamic society at that time. The principles of Islamic economics applied by him became an inspiring example for the next generation in managing the economy in a fair and forward-looking manner (Tahir, 2021).

As a pioneer, Rasulullah started everything from scratch, and it was not uncommon for him to experience difficult conditions. Everything was rearranged from scratch, the order of government, various policies for various systems, economic, social, and cultural. Rasulullah started with an effort to unite between you Anshor and the Muhajirin, so that the strength of the Muslims would be stronger. The Prophet also encouraged the Anshor to share some of their wealth with the Muhajirin who acted as migrants (Maghfiroh & Caniago, 2020).

The main revenue for the state at the time of the Prophet was zakat and ushr. Both are different from taxes and are not enforced like taxes. Zakat and ushr are religious obligations and are one of the pillars of Islam. Therefore, the Prophet established Baitul Mal as the center for collecting and storing funds for the Islamic state. Baitul Maal acts as a place to collect the wealth of the state which is then used for various specific expenses. At the beginning of Islamic rule, the main sources of state revenue included khums, zakat, kharaj, and jizyah. Various sources provide different views on the establishment of Baitul Maal. Some state that Baitul Maal was established by the Prophet Muhammad, while others state that it was officially established by Sayidina Umar ibn Khaththab R.A (F & Kurniawan, 2022)

Another economic policy carried out by the Prophet Muhammad was to increase income and employment opportunities by employing the Muhajirin and Anshor. This effort led to an improved income and wealth distribution mechanism, as well as increased aggregate demand for the output produced. In addition, the Prophet also distributed land as working capital, because the Muhajirin and Anshor had farming skills and agriculture was the only job that produced for them. The tax policy during the Prophet's reign was a type- and amount-based policy (proportional tax). For example, land tax depended on the productivity of the land or based on its zone. During the reign of the Prophet, the Budget experienced a deficit once after the event of "Fathul Makkah," but then recovered to a surplus after the battle of Hunain. This policy was implemented voluntarily by asking for help from wealthy Muslims. One of the ways was to provide loans to new converts to Islam and enforce an incentive policy (Jayanti, 2021).

The Development of Islamic Economics During the Khulafaurrasyidin

Period Abu Bakar Ash- Shiddiq

Abu Bakr Ash-Shiddiq was appointed as the first caliph after the Prophet died, the economic policies he carried out only continued those inherited by the Prophet. In reviving the economy of the people of Medina, Abu Bakr focused on the accuracy of the calculation of zakat. He also took firm action against those who committed fraud in paying zakat. The results of the collection of zakat are used as the main source of state revenue stored in Baitul Mal (F & Kurniawan, 2022).

As the first caliph to inherit economic policy directly from the Prophet, Abu Bakr was fair by equalizing the distribution of Baitul Mal assets to all the Prophet's companions. He did not differentiate between the groups and levels of the companions, whether the companions who first converted to Islam, the slaves and freemen as well as men and women received the same share. Therefore, Abu Bakr never left the Baitul Mal empty or hoarded for long, because every treasure collected was immediately redistributed to all Muslims. In fact, after his death, only one dirham remained in the treasury.(F & Kurniawan, 2022)

Khalifah Umar bin Khattab

In contrast to Abu Bakr Ash-Shiddiq's policy of distributing the treasury, Umar bin Khattab decided not to spend the entire treasury at once. He decided this after reaching a consensus with his great companions. The treasure was issued gradually according to the needs at that time, Umar also provided emergency funds for unexpected needs. Baitul Mal is a fiscal policy implementer whose control is held by the caliph who served at that time. Umar's reign is said to be the heyday of Muslims. Umar bin Khattab distributed Baitul Mal treasures with the principle of virtue. Because according to him, every hardship experienced by Muslims must be taken into account to determine the share they will get from the state treasury. But after that, Caliph Umar bin Khattab realized that the method he used was wrong because it harmed social strata and community life. Caliph Umar bin Khattab was determined to change his policy if he was still allowed to live. However, before the plan was realized, Caliph Umar bin Khattab was killed (Parakkassi, 2018)

Khalifah Usman bin Affan

During his leadership, Uthman bin Affan did not innovate in the economic field, the economic policies he implemented only continued from the policies of his predecessor Caliphs. In the distribution of Baitul Mal treasures, Caliph Uthman bin Affan applied the principle of virtue as did Umar bin Khatab. He also implemented a policy of distributing State land to individuals for reclamation and contribution to Baitul Mal. From this policy, the State earned an income of 50 million dirhams or an increase of 41 million dirhams compared to the time of Umar bin Khatab who did not distribute the land (Almahdi & Kurniawan, 2022)

Uthman bin Affan brought many successes in the early days of his reign, but in the last six years of his leadership it brought a lot of disappointment to the Muslims, on the contrary, it brought a lot of luck to all his family that many corrupt officials occurred. At the end of this reign, there was a lot of political turmoil that ended with the death of the caliph himself (Almahdi & Kurniawan, 2022).

Khalifah Ali bin Abi Thalib

After being appointed the fourth Caliph of Islam by all Muslims, 'Ali ibn Abi Talib took some direct actions, such as dismissing corrupt officials, reopening the estates that had previously been given to 'Uthman's favorites, and distributing the annual tax revenues under the provisions set by 'Umar ibn Khattab. Ali ruled for five years. From the outset he encountered opposition from groups hostile to him, the Khawarij rebellion, and a prolonged war with Muawiyah who proclaimed himself the independent ruler of Syria and (later) Egypt.(Jayanti, 2021)

Caliph Ali ibn Abi Talib took an important step during his reign by minting coins in the name of the Islamic State. This shows that during his reign, the Muslims had mastered the technology of iron smelting and coin minting. However, the money printed by the Muslims could not circulate widely because the reign of Ali ibn Abi Talib was very short as the Caliph was killed in the sixth year of his reign. Ali's reign ended with his assassination at the hands of Ibn Muljam of the Khawarij (Jayanti, 2021).

The Development of Islamic Economics during the Umayyad Dynasty and the Abbasid Dynasty

Dynasty Umayyah

During the reign of Umar ibn Abdul Aziz in Bani Umayyah, the people enjoyed real prosperity. The state of the economy experienced tremendous development. All the literature we have today confirms that poverty, economic hardship, and incompetence were successfully overcome during the reign of this caliph. One of the economic policies implemented by Umar ibn Abdul Aziz was regarding weights and measures, intending to eradicate counterfeiting and cheating in the use of these tools. Based on the description above, it can be concluded that the economy during the reign of the Umayyad Dynasty experienced an overall increase compared to the previous period. The prosperity of the people during this dynasty occurred because of the policies carried out by the caliph and also the support of the community for these policies (Huda, 2021).

One of the rulers of the Umayyad Dynasty, Caliph Muawiyah ibn Abi Sofyan, had taken important steps to improve the economy. These included establishing services and providing facilities, organizing the army system, printing currency, and developing the position of a qadi (judge) as a professional position. In addition, Caliph Muawiyah also enacted a policy of giving soldiers a fixed salary, forming a professional army, and developing the bureaucracy, including the functions of tax collection and political administration. All these measures contributed to the increasing prosperity of the people during his reign (Latif, 2016).

Upon becoming caliph, Umar bin Abdul Aziz held a meeting with his people and publicly announced and handed over all his wealth and his family's unnatural possessions to the Muslims through the Baitul Mal. These included plantation lands in Morocco, allowances in areas such as Yamamah, Mukaedes, Jabal Wars, Yemen, and Fadak, as well as the ring given by Al-Walid. During his reign, he steadfastly refused to take anything from the treasury, including the fai revenues to which he was entitled. In carrying out his various policies, Caliph Umar bin Abdul Aziz focused on protecting and improving the lives of the people as a whole. He reduced the tax burden imposed on Christians, abolished taxes for Muslims, and issued regulations governing weights and measures to ensure accuracy and honesty in trade. In addition, he succeeded in eliminating excise taxes and forced labor, improving agricultural land, digging wells, building roads, establishing lodgings for travelers, and providing assistance to the poor. The various policies implemented succeeded in improving the overall standard of living of the people so that there were no longer any people eligible to receive zakat (Huda, 2021).

In agriculture, Caliph Umar bin Abdul Aziz prohibited the sale of cultivated land so that there would be no landlords. He ordered his emirs to make the most of the existing agricultural land. In setting land rents, Caliph Umar ibn Abdul Aziz applied the principles of justice and generosity. He forbade levying rent on infertile land and if the land was fertile, the collection of rent should take into account the level of welfare of the farmers concerned. Furthermore, the caliph Umar ibn Abdul Aziz implemented a policy of regional autonomy. Each Islamic region had the authority to manage zakat and taxes independently and was not required to pay tribute to the central government. On the contrary, the central government would provide subsidies to each Islamic region that had minimal zakat and tax revenues (Huda, 2021).

Thus, each Islamic region was given the power to manage its wealth. If there was a surplus, Caliph Umar bin Abdul Aziz suggested that the region should assist in the region that had minimal income. To support this, he appointed Ibn Jahdam as *amil shodaqoh* who was tasked with receiving and distributing the proceeds of *shodaqoh* evenly throughout the Islamic territories. In realizing a just and prosperous state, Caliph Umar ibn Abdul Aziz made social security a cornerstone. For him, the rights of someone who had died would not be lost because they would still be given to their heirs. The same applies to the rights of prisoners. This applied universally, without discriminating whether he was a Muslim or not. He also established a restaurant for the poor (Munif, 2021)

Meanwhile, if there is excess wealth after being used to meet the needs of the Muslims, the revenue of the Baitul Mal is distributed to the *dhimmi*s. Not only that, the *dhimmi*s were also given loans of agricultural lands for their work. Caliph Umar bin Abdul Aziz also issued a policy of opening free trade routes, both on

land and in the air, in an effort to improve the standard of living of the people. The government abolished import duties and provided various necessities as much as possible at affordable prices (Huda, 2021).

During his reign, the sources of state revenue came from zakat, war booty, and agricultural income tax (this tax at the beginning of Umar bin Abdul Aziz's reign was eliminated considering the unfavorable economic situation after the stability of the people's economy improved, this tax was applied), and the results of giving productive work fields to the wider community. After the reign of Umar bin Abdul Aziz, the power of Bani Umayyah was in the hands of Yazid bin Abdul Malik. At this time, chaos in the life of the community began to reappear. This was triggered by the caliph's and his successors' obsession with luxury and his disregard for the welfare of the people. As a result, there was a confrontation between the government and its people. The unrest continued to strengthen the opposition and, conversely, weaken the caliph's position. Eventually, the opposition succeeded in overthrowing the Umayyad Daulah (Huda, 2021).

Dynasty Abbasiyyah

Caliph Al-Manshur did more to consolidate and organize the bureaucratic administration. He tried to lay the foundations of the Abbasid Daulah government. The center of government which was originally in Hashimiyah was moved to the newly built city of Baghdad. He created a new tradition in the field of government by appointing a vizier as the coordinator of the department. Caliph Al-Manshur also established the state protocol, state secretary, and state police, as well as reforming the armed forces and establishing the state judiciary. The role of the postal service was further enhanced with the additional task of running smoothly and reporting the behavior of the local governor to the caliph. At the beginning of the reign of caliph al-Manshur, the state treasury was practically non-existent as the previous caliph, al-Saffah, had used much of the Baitul Mal funds to give to the companions and the army to consolidate his position as ruler (Meriyati, 2018).

This prompted Caliph Al-Manshur to be harsh in the establishment of the state's financial position, in addition to the suppression of the caliph's enemies, so his reign is also known as a period full of violence. In controlling prices, Caliph al-Manshur ordered the heads of postal services to report the market price of every foodstuff and other goods. In addition, Caliph al-Manshur was also very frugal in spending the treasures of the Baitul Mal. When he died, the wealth of the state treasury had reached 810 dirhams (Meriyati, 2018).

When the reins of government were in the hands of Caliph Harun Al-Rashid, economic growth flourished and the Abbasid Daulah's prosperity reached its peak. During his reign, Caliph Harun Al-Rashid diversified the sources of state revenue. He built the Baitul Mal to manage state finances by appointing a wajiz who became the head of several diwan, namely: Diwan al-khazanah, in charge of managing the entire state treasury, Diwan al-Azra', in charge of managing state assets in the form of crops and Diwan Khazain Al-Silah, in charge of taking care of army equipment (al-Khudari, 2016)

The sources of income during this reign were kharaj, jizyah, zakat, fai, ghanimah, ushr, and other assets. Such as waqf, alms, and the inheritance of people who do not have heirs. During the reign of Caliph Harun Al-Rashid, the revenue of the Baitul Mall was allocated for scientific research and translation of Greek books, in addition to defense costs and routine employee budgets. The revenues were also allocated to support prisoners in the provision of food and summer and winter clothing (Huda, 2021).

The reign of Caliph Harun Al-Rashid was also very concerned about taxation. He appointed Qadi Abu Yusuf to compile a book of guidelines regarding finance in shariah. For this purpose, Imam Abu Yusuf compiled a book entitled al-Kharaj. The writing of Abu Yusuf's al-Kharaj book was based on the orders and questions of Caliph Harun Ar-Rashid regarding various tax issues. During the Abbasid period, the al-Kharaj collection system was carried out in three ways, namely: a) Al-muhassabah or estimating the area of land and the amount of tax to be paid in the form of money. b) Al-Muqasamah or setting a certain amount of the results obtained. c) Al- Muqqatha'ah or setting the tax on crops against millionaires based on the agreement between the government and the person concerned (Hasanah & Verawati, 2022).

After the death of Harun Ar-Rashid, the reign of the Abbasid Daulah was handed over to Caliph Al-Ma'mun. Al-Ma'mun was a person who loved knowledge and this greatly influenced his policies. During his reign, Caliph Al-Ma'mun paid great attention to the development of science in Islam. He intensified the activity of translating foreign books. To support this, the government allocated Baitul Mal funds for the salaries of translators. Caliph Al-Ma'mun also established schools and the most famous was Baitul Hikmah, a translation center that functioned as a university with a large library. During this period, Baghdad began to become a center of culture and science. From the description above, it can be seen that the Abbasid

Dynasty in the first period emphasized the development of Islamic civilization and culture, including economic life, rather than territorial expansion. After passing through this period, the Abbasid Daulah experienced a decline and was finally destroyed by the Mongols in 1258 M (Meriyati, 2018).

The Development of Islamic Economics during the Ottoman Turkish Period

Ottoman Turkey was the center of the Islamic Caliphate because it was the strongest Islamic government of its time. The peak of Ottoman Turkey's progress was during the reign of Sultan Mahmud II, among others in 1453 which was marked by the conquest of the Roman-Byzantine empire. This almost invincible political and military power began to be challenged during the time of Sultan Murad IV) with the emergence of Western powers. Ottoman Turkey paid more attention to political and military progress. Although economic and financial conditions contributed to the development of Islam in the Ottoman Turkish Empire. The continuous wars that befell the Ottoman Turks were both offensive-expansive (to expand their territory), defensive (to defend themselves from external attacks), and preventive (to quell internal rebellions) (Suar, 2020).

These wars drained the Ottoman Turks' financial resources. The logical consequence of these prolonged wars was the weakening of the empire's strength in the military, administrative, and other fields. The wars also resulted in the decline of the Ottoman Turkish economy as state revenues were drastically reduced while state expenditures increased for war costs. The unending wars and the decline of the state economy simultaneously resulted in the neglect of public welfare. The Ottoman Turkish rulers no longer thought about or paid attention to the construction and rehabilitation of roads, hospitals, schools, and economic infrastructure such as the development of the agricultural sector, irrigation, or maintenance of dams, so farmers lost hope of developing their standard of living (Suar, 2020).

The Development of Islamic Economics in the Modern Era

This Islamic law-based economy has developed throughout the world. Not only in countries where the majority of people are Muslims, the Islamic economy is also developing in countries with Muslim minorities or even liberal countries. The Islamic economy began with the presence of Islamic banking as a financial institution based on ethics, based on the Qur'an and Hadith. The main milestone in the establishment of Islamic banking was the operation of Mit Ghamr Local Saving Bank in 1963 in Cairo, Egypt. In several countries in the 1970s, several Islamic-based banks then emerged. Islamic banking as a prima donna in the Islamic economy has been established in various countries for several decades such as Malaysia, Brunei Darussalam, Indonesia, Thailand, and Singapore (Parakkassi, 2018).

A country with a majority non-Muslim population and government is positioning itself as a center for managing Sharia funds under the Islamic system. Especially at this time, Singapore is known as a country that is entirely oriented towards the West. The Islamic economic system was quite successfully established by Singapore, as evidenced by the establishment of the Islamic Bank of Asia in 2007 with the ease of the regulatory process provided by MAS. The Islamic economic system in Islamic banking is growing rapidly in Singapore, which is marked by the emergence of international Islamic banks and Singapore conventional banks that establish special Islamic branches and provide Islamic banking services such as DBS bank, Maybank, HSBC Amanah, OCBC Bank, and Noor Islamic Bank. The presence of these international banks can be understood as investor interest in the Islamic financial and services market in Singapore. Islamic banking in Singapore is organized in a planned and careful manner to accelerate its economic development (Musyafah, 2019).

Similarly, Muslims living in the southern part of Thailand need banking products that do not contradict Islamic principles. Establishing an interest-free banking system required a lot of effort. In 1994, the Kingdom of Thailand signed cooperation in the field of economic development with Malaysia and Indonesia. Where Thailand is responsible for the development provided in the five southern regions of Thailand. Therefore, the Kingdom of Thailand established Islamic banking as a financial alternative for the majority Muslim population. This was encouraged by the inauguration of economic and social development institutions, as well as making economic studies. To date, IBANK is one of the banks that applies Sharia Principles to the products it offers. As a result, IBANK has been able to establish branches in the southern region and beyond. The products offered by IBANK include Police financing, IBANK Tuber Root Financing, Debt repayment for farmers, Financing of Thai laborers in Malaysia, financing of colonizer outlets and free employment, Re-Finance of outstanding debts, and Small Company Financing (Musyafah, 2019).

Meanwhile, in Indonesia, the Islamic economy has a high potential to be developed in Indonesia. This is because Indonesia is the largest Muslim country in the world with a Muslim population of approximately

220 million. However, the Minister of National Development Planning / Bappenas stated that the development of Islamic economics in Indonesia tends to run in place. This is since Indonesian people act more as consumers than producers. The pattern of community behavior that tends to be consumptive is a challenge in developing and spreading Islamic Economics in Indonesia. This development must involve many sectors, to have a direct and significant impact on the growth of the Islamic economy in the real sector. The distribution and practice of Islamic economics in Indonesia today from various clusters are as follows:(Prandawa dkk., 2022).

1. Halal Food and Beverage Cluster. The halal food and beverage industry includes a series of industrial activities that lead to raw materials, management, conversion, preparation, preservation to packaging. The number of products that have LPPOM Halal Certificates is 259,984 products and the number of food and beverage companies that have LPPOM Halal Certificates is 6,055 company units (BPPN, 2018). Here are some multinational companies engaged in the food and beverage industry such as PT Indofood with flour, starch, and processed products, PT Nippon Sari Copindo with noodles, pasta, bread, and processed products, PT So Good Food with processed meat, milk, and processed products, PT Belfoods with meat and processed meat group products, and many other multinational companies..
2. Halal Tourism Cluster. Halal tourism aims to attract tourists from various friendly circles, especially Muslims. The tourism industry has links with many other industries such as the food and beverage industry, the Islamic finance industry, the hospitality industry, the MSME industry, and the media and recreation industry. The halal tourism potential of Padang City, West Sumatra is a reference for other destinations in Indonesia to develop halal tourism (BPPN, 2018). Several years ago Indonesian tourism was awarded the World Halal Tourism Award. The award was given to Sembalun Valley, East Lombok, NTB as the best halal honeymoon destination in the world. Padang City is the best halal destination in the world and Aceh Province is the best halal cultural destination in the world.
3. Muslim Fashion Cluster, Indonesia is dubbed as the mecca of Muslim fashion in the world so development in this field continues. This development increased in 2018 as Muslim fashion designers such as Dian Pelangi, Barli Asmara, and Jenara Nasution started introducing Muslim fashion at fashion week events in the UK, Germany, France, and other Middle Eastern countries (BPPN, 2018). The Muslim fashion trend is spreading in Indonesia because many Muslim clothing companies have branches in all regions such as Rabbani, Zoya, Dian Pelangi, El-Zatta, Monel, Ria Miranda, Tunecca, Jenahara, KIA by Zaskia Sungkar, Si Se Sa and Suqma (Syuri, 2020). These brands are the most popular in Indonesia, but many other local brands have varying quality and prices.
4. Media and Recreation Cluster. The media and recreation industry is a subsector of the creative economy including Film, TV, and Radio Production Houses, Publishing, Application and Games Providers, as well as the music and arts industry. Currently, the spread of the media cluster is most easily found from the Youtube application such as the Nusa channel which produces Muslim children's stories in animated form. Youtube channels that preach Islam in the form of movies such as Teladan Cinta and so on.
5. Halal Pharmaceutical and Cosmetic Cluster. Indonesia is currently in 4th place as the country with the highest consumption of pharmaceutical products. Meanwhile, in the cosmetics sector, Indonesia is in 2nd place after India (IBRA, 2018). According to LPPOM MUI data, in May 2021 the number of halal-certified products reached 1,066 companies (LPPOM MUI, 2021). Here are some halal-certified cosmetic companies such as PT Paragon Technology and Innovation, including the Wardah MakeOver and Puteri brands. Meanwhile, pharmaceutical and medicine companies that are halal certified include PT Sidomuncul, PT Nelcho Indofarma, PT Konimex, PT Jhonson and Jhonson Indonesia, and many other multinational companies (LPPOM MUI, 2021), and there are many more halal clusters in Indonesia.

CONCLUSION

The history of the development of Islamic economics from classical to modern times marks a long and tense journey in the face of various challenges and changing times. In the classical period, Islamic economics reached its peak by applying the principles of justice, fair trade, and social balance. The sharia-based economic system formed the basis for a prosperous Islamic civilization, based on ethical values and spirituality, and prioritizing public welfare. In addition, technology and digital innovation have opened up new opportunities for the modern Islamic economy. Shariah-compliant fintech and e-commerce platforms enable wider access to Islamic financial services, and other digital initiatives contribute to economic growth in various sectors.

Nonetheless, challenges such as economic inequality and poverty persist, and a deeper understanding of the principles of Islamic economics is still needed to ensure effective and thorough implementation. The development of Islamic economics from classical to modern times shows great potential in creating an economic system that is inclusive, sustainable and grounded in Islamic values. By utilizing Islam's rich economic heritage and combining it with modern innovations, Muslim societies can face global challenges and achieve economic progress in line with their religious principles.

REFERENCE

1. Al-Khudari, S. M. (2016). *Bangkit dan Runtuhnya Daulah Abbasiyyah*. Pustaka al-Kautsar.
- Almahdi, W., & Kurniawan, R. R. (2022). *SEJARAH EKONOMI ISLAM DI MASA PEMERINTAHAN UMAR BIN KHATTAB*. 1.
2. F, P., & Kurniawan, R. R. (2022). *SEJARAH EKONOMI ISLAM PADA MASA RASULULLAH DAN KHALIFAH ABU BAKAR ASH-SHIDIQ* [Preprint]. Open Science Framework. <https://doi.org/10.31219/osf.io/b7fxa>
3. Hasanah, U., & Verawati, H. (2022). Pendidikan Islam Multikultural: Analisis Historis Masa Dinasti Abbasiyah. *Asanka: Journal of Social Science and Education*, 3(2).
4. Huda, M. N. (2021). Sejarah Pemikiran Ekonomi Islam Pada Masa Daulah Bani Umayyah dan Bani Abbasiyah. *Estoria: Journal of Social Science and Humanities*, 1(2), 135–148. <https://doi.org/10.30998/je.v1i1.466>
5. Istiqomah, L., & Zulaikhah, A. (2019). *TELAAH SEJARAH PEMIKIRAN EKONOMI ISLAM*. 1(1).
6. Jayanti, D. (2021). *ANALISIS SEJARAH EKONOMI ISLAM PADA MASA RASULULLAH DAN KHULAFAH AL-RASYIDIN*.
7. Latif, A. M. A. (2016). *Bnagkit dan Runtuhnya Khilafah Bani Umayyah*. Pustaka al-Kautsar.
8. Maghfiroh, Z., & Caniago, S. A. (2020). Pemikiran Ekonomi Islam Pada Masa Peradaban Rosulullah SAW. *Wacana Equiliberium (Jurnal Pemikiran Penelitian Ekonomi)*, 8(2), 113–120. <https://doi.org/10.31102/equilibrium.8.2.113-120>
9. Marasabessy, R. H. (2022). SEJARAH PEMIKIRAN EKONOMI ISLAM KLASIK. *Jurnal Asy-Syukriyyah*, 16(1), 72–87. <https://doi.org/10.36769/asy.v16i1.221>
10. Meriyati, M. (2018). Perkembangan Ekonomi Islam Pada Masa Daulah Abbasiyah. *Islamic Banking : Jurnal Pemikiran dan Pengembangan Perbankan Syariah*, 4(1), 45–56. <https://doi.org/10.36908/isbank.v4i1.54>
11. Mudhiiah, K. (2015). *Analisis Sejarah Pemikiran Ekonomi Islam Masa Klasik*. 8(2).
12. Munif, A. (2021). *SEJARAH PEMIKIRAN EKONOMI ISLAM*. 2.
13. Muslim, Muslihun. 2015. *Fiqh Ekonomi*, Mataram: LKIM
14. Musyafah, A. A. (2019). *PERKEMBANGAN PEREKONOMIAN ISLAM DI BEBERAPA NEGARA DI DUNIA*. 4(1).
15. Parakkassi, I. (2018). Perkembangan Ekonomi Islam Berdasarkan Sejarah , Budaya , Sosial dan Keagamaan di Indonesia. *TEKSTUAL*, 16(1), 22. <https://doi.org/10.33387/tekstual.v16i1.1060>
16. Prandawa, M. C., Jubba, H., Nb, F. R., & Wardani, T. U. (2022). PERKEMBANGAN EKONOMI ISLAM DI INDONESIA: ANTARA PELUANG DAN TANTANGAN. *Jurnal Hukum Islam*.
17. Suar, A. (2020). *PEMIKIRAN EKONOMI ISLAM PADA MASA AWAL TURKI UTSMANI*. 1.
18. Tahir, R. Z. (2021). *SEJARAH PEMIKIRAN EKONOMI ISLAM PERIODE AWAL 450 H/1058 M*. 1.